

**Statement of The Honorable Ted Strickland  
Governor of the State of Ohio  
Before the U.S. House of Representatives  
Committee on Transportation & Infrastructure  
September 16, 2008**

*“Effects of Proposed Arrangement Between DHL and UPS on Competition, Customer Service, and Employment”*

Chairman Oberstar, Ranking Member Mica, and members of the Transportation and Infrastructure Committee, thank you for the opportunity to testify on behalf of the State of Ohio regarding the proposed transaction between DHL Express and United Parcel Service.

The human cost of this proposed deal is simply enormous. We speak in terms of 10,000 jobs at stake. But that's 10,000 families. 10,000 homes. And far, far more than 10,000 lives turned upside down.

The Wilmington Air Park is the largest privately-owned airport in the U.S. It's the single largest employer for the residents of six Ohio counties. Every lost job will be felt, time and again when these hard working men and women stop shopping in the stores, eating in the restaurants, buying the houses.

Even as the first round of layoffs has already begun, and with the imminent threat of closure dangling over them, the hardworking men and women of ASTAR and ABX and other facilities in the air park show up each day and give their all to their jobs.

DHL has taken the position that this is not a matter worthy of our attention. Mr. Chairman, attention must be paid.

In a free market, businesses can fail. Jobs can be lost. We lament the ups and downs of the business cycle, and make preparations for a better day. But this is not a free market transaction we're discussing. This is an anti-competitive deal.

After this billion dollar-a-year deal is in place, a deal that hands over the actual shipping process to DHL's main rival, the company assures us that DHL and UPS will remain competitors. In fact, John Mullen, the CEO of DHL Express Global, told the *New York Times* in August that DHL is, and I quote, “trying to make life as difficult as possible for” UPS.

You know, if I were going to make life difficult for someone, I could think of a few things I would try before giving them a billion dollars.

Mr. Mullen insists that this deal keeps DHL and UPS quote “full-tilt competitors.” The Cleveland Browns will travel to Baltimore this Sunday to play the Ravens. And if one of the Ravens fumbles, there's a reason why no one on the Browns will pick up the ball and

politely hand it back. It's because competitors are not partners. Have never been. Will never be. You are either one or the other.

This deal is a merger in everything but name. If you hand the essential functions of your business to a competitor, that's a merger. If you discard the planes and the people that make your business possible, that's a merger.

It would be one thing for a company that makes refrigerators or pencils to outsource their shipping services. But DHL doesn't make products, it ships them. If your business is shipping and you outsource shipping, that's a merger. There is a very real threat to the consumer here.

When UPS essentially controls DHL's costs and operations, then UPS controls DHL's pricing. And when that happens, there will effectively be only two shipping companies to serve the North American market. It's Economics 101. If you create a duopoly, you diminish consumers' choices and raise consumers' costs.

Let me add that the creation of this duopoly could undercut the ability of ABX and ASTAR to continue operating. It could force off the stage two major players in an industry with incredibly high barriers to entry.

If this were truly a competitive, free market transaction, why weren't DHL's existing service providers ASTAR and ABX given a chance to submit a bid for this work? Why wasn't the state of Ohio given a chance to respond before the deal had been decided upon?

When this issue first arose we immediately assembled a DHL Regional Economic Task Force of local, regional, and state government officials, member of our Congressional delegation, and business leaders. We believe there's a better alternative for DHL, but we need a chance to be heard.

Last week, we learned from DHL and UPS during another congressional hearing that they have a memorandum of understanding prohibiting them from talking with other parties—including the State of Ohio—while their negotiations are ongoing. In this hearing room today, I would publicly request that both DHL and UPS discard this arrangement so that my Administration, and other parties involved, can present alternatives in good faith. DHL made \$6 billion in profit last year – and we have no doubt their Ohio operations can contribute to their bottom line.

I want to thank the members of the Ohio congressional delegation, who have come together in a bi-partisan fashion and worked each day to protect these jobs since this secret deal was revealed.

The federal government once helped facilitate DHL's acquisition of Airborne Express, and now we need the federal government's help to facilitate DHL's continued existence in Wilmington, Ohio, as a real, service-providing company.